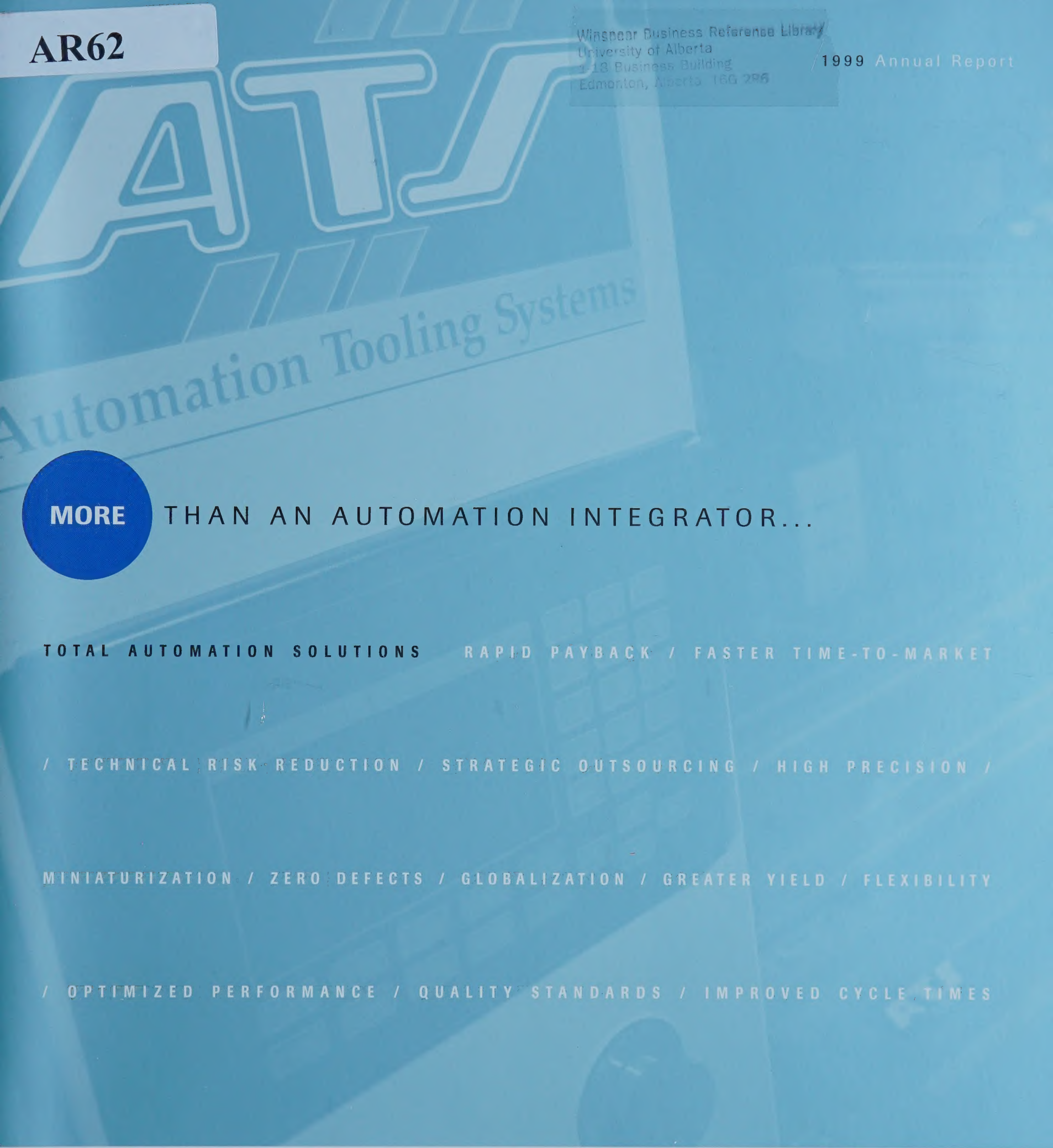
1999 Annual Report



MORE THAN AN AUTOMATION INTEGRATOR...

TOTAL AUTOMATION SOLUTIONS RAPID PAYBACK / FASTER TIME-TO-MARKET / TECHNICAL RISK REDUCTION / STRATEGIC OUTSOURCING / HIGH PRECISION / MINIATURIZATION / ZERO DEFECTS / GLOBALIZATION / GREATER YIELD / FLEXIBILITY / OPTIMIZED PERFORMANCE / QUALITY STANDARDS / IMPROVED CYCLE TIMES

ATS Automation Tooling Systems

CORPORATE PROFILE

ATS Automation Tooling Systems Inc. is a leading designer and producer of turn-key automated manufacturing and test systems, which are used primarily by multinational corporations to reduce costs, improve quality and expand capacity.

Using its own custom-built manufacturing systems, process knowledge and automation technology, the Company is also a high volume manufacturer of plastic and metal precision components and sub-assemblies for automotive, microelectronics and other customers.

ATS employs approximately 2,400 people at 19 facilities in Canada, the United States, Europe and Asia-Pacific. The Company's shares are traded on The Toronto Stock Exchange under the symbol ATA. (Internet website address: www.atsautomation.com).

CORPORATE STRATEGIES

ATS Automation Tooling Systems Inc. is dedicated to achieving profitable growth by providing value-added technologies and capabilities that enable customers to reduce costs, accelerate new product introductions, and improve product quality.

ATS employs the following strategies:

> Targets expanding global manufacturers of highly-engineered products in diverse industrial sectors.

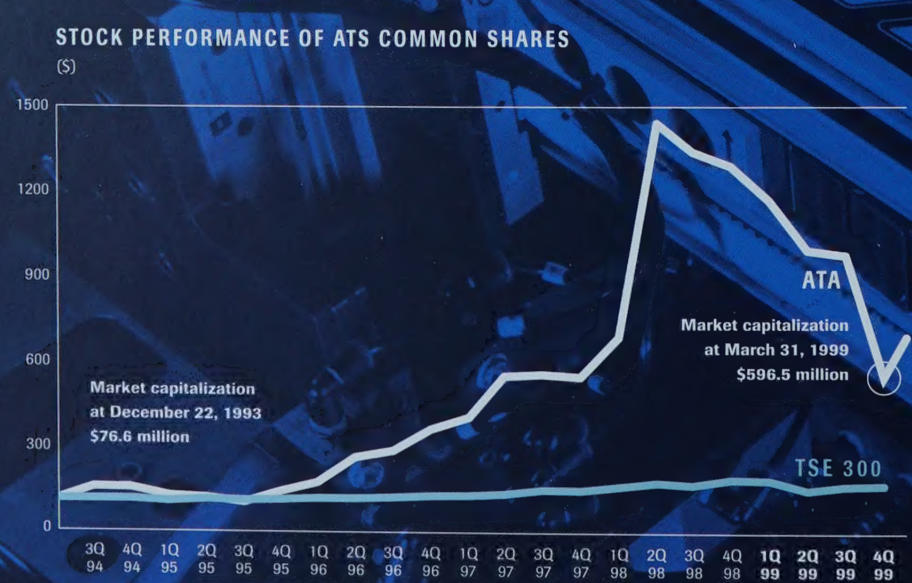
> Develops long-term, strategic alliances with customers in order to become an extension of their internal manufacturing or production resources.

> Continually develops its leading edge automation technology capabilities and toolkit of standard products.

> Levers its Automation Systems and Precision Components resources and capabilities to develop new opportunities for both business Groups.

> Enters new geographic regions in response to the needs of its multinational customer base.

> Invests in emerging businesses which have strong management, good growth prospects, and complement ATS core technologies.



> GRAPH COMPARES THE VALUE OF $100 INVESTED IN ATS COMMON SHARES AT TIME OF ISSUE ON DECEMBER 22, 1993 WITH $100 INVESTED IN THE TORONTO STOCK EXCHANGE 300 INDEX.

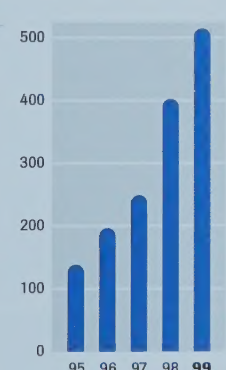
FINANCIAL HIGHLIGHTS (in thousands of dollars except per share data)

For the years ended March 31	1999	1998	1997
FINANCIAL RESULTS			
Revenue	**$ 515,268**	$ 402,920	$ 249,802
Earnings from operations	**$ 66,464**	$ 45,984	$ 32,101
Net earnings †	**$ 37,237**	$ 27,362	$ 19,597
PER SHARE			
Net earnings per share–basic * †	**$ 0.67**	$ 0.52	$ 0.39
Weighted average number of shares outstanding–basic *	**55,401,228**	53,010,063	50,000,966
FINANCIAL POSITION			
Total assets	**$ 481,074**	$ 423,519	$ 236,063
Shareholders' equity	**$ 314,339**	$ 268,206	$ 143,066

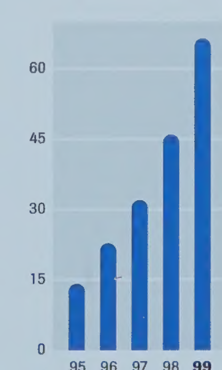
* All years reflect two-for-one stock splits for November 1996 and November 1997.
†1999 net earnings include unusual items which reduced net earnings by $2.4 million or $0.04 per share, basic.

CONSOLIDATED REVENUE HAS INCREASED AT AN AVERAGE ANNUAL COMPOUND RATE OF 41% OVER FIVE YEARS.

CONSOLIDATED REVENUE
(by fiscal year, millions $)



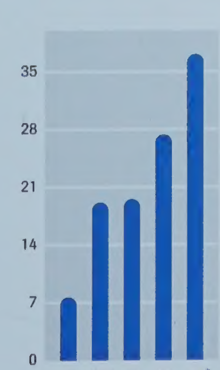
EARNINGS FROM OPERATIONS
(by fiscal year, millions $)



EARNINGS FROM OPERATIONS HAVE INCREASED AT AN AVERAGE ANNUAL COMPOUND RATE OF 48% OVER FIVE YEARS.

NET EARNINGS HAVE GROWN 57% ON AN AVERAGE ANNUAL COMPOUND BASIS OVER FIVE YEARS.

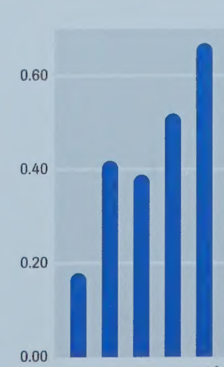
NET EARNINGS
(by fiscal year, millions $)



* 1999 includes unusual items which reduced net earnings by $2.4 million

† 1996 includes an unusual transaction gain which increased net earnings by $5.6 million

BASIC EARNINGS PER SHARE
(by fiscal year, $)



* 1999 includes unusual items which reduced basic EPS by $0.04

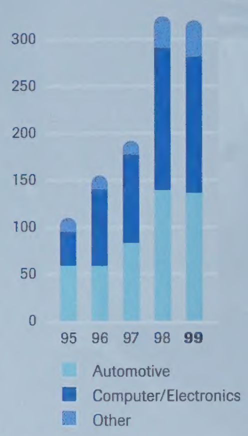
† 1996 includes an unusual transaction gain which increased basic EPS by $0.12

EARNINGS PER SHARE INCREASED 37% ON A FIVE-YEAR AVERAGE ANNUAL COMPOUND BASIS.

Automation Systems Group

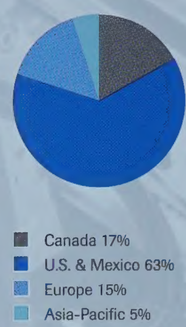
AUTOMATION SYSTEMS GROUP REVENUE BY INDUSTRY

(by fiscal year, millions $)



AUTOMATION SYSTEMS GROUP REVENUE BY REGION

(fiscal 1999)



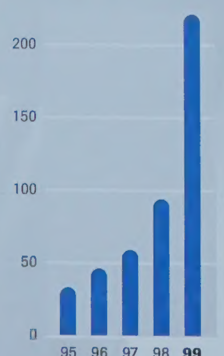
DESCRIPTION

- Designs, builds and installs turn-key automated manufacturing systems
- Multinational customers in a range of industries: automotive, computer, medical, flat panel display, electrical, energy, consumer products, electronics, packaging
- Average system cost $1 million to $3 million, largest single order to date--$24 million
- Custom design and build or build to print
- Single to multiple station, multiple zone automated manufacturing systems
- In fiscal 1999, generated 89% of revenue from repeat customers

Precision Components Group

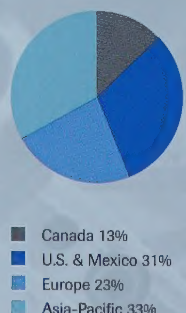
PRECISION COMPONENTS GROUP REVENUE

(by fiscal year, millions $)



PRECISION COMPONENTS GROUP REVENUE BY REGION

(fiscal 1999)



- ISO, QS9000 and Ford Quality System certified supplier of highly engineered, high quality, high volume precision components and sub-assemblies
- Large multinational customers in the automotive, microelectronics and solar industries
- Employs leading-edge, custom automation and broad-based manufacturing expertise to gain competitive advantage
- In fiscal 1999, manufactured more than 150 million units, generated 84% of revenue from repeat customers

CAPABILITIES

BROAD SKILLS BASE

- Mechanical design
- Controls design
- Electrical design
- Parts engineering
- Machine vision
- Project management
- Electricians
- Toolmakers, machinists
- Machine control experts
- Technical documentation
- Spare parts and service
- Support

COMPLEMENTARY PRODUCTS AND SERVICES

- Standard components, devices and software
- Simultaneous engineering and design for automation services
- System simulation
- System refits and upgrades
- On-line remote diagnostics
- Spare parts
- In field service and on-line support
- Specification development
- Preventative maintenance
- Technical training

DIVERSE APPLICATIONS EXPERIENCE

- High accuracy motion control, positioning and placement
- High throughput automated systems
- Flexible material handling and packaging systems
- Flexible pallet and power and free systems
- Synchronous and asynchronous systems
- Dispensing, bonding, welding and inspection
- Laser welding, drilling and marking
- Clean room assembly systems
- Precision cleaning systems
- Large systems integration of specialized processes
- Robotic applications
- Motor and coil winding manufacturing systems
- Machining and metal removal systems
- In process testing and measurement
- Real time productivity measurement and optimization

DIVISIONS

- Cambridge Systems division
- Machine Tool division
- Winding division
- ATS Niagara division
- ATS Test Systems Inc.
- ATS Informatic Systems Inc.
- Accu-Fab Systems, Inc.
- Accu-Fab Systems California, Inc.
- ATS Ohio, Inc.
- ATS Michigan Sales & Service, Inc.
- ATS Carolina, Inc.
- ATS Southwest, Inc.
- Eco-Snow Systems, Inc.
- AnA Mechtronics (S) Pte. Ltd.
- ATS Automation Tooling Systems GmbH
- ATS Wickel-und Montagetechnik AG

- Automated contract manufacturing
- Experienced, skilled workforce
- Extensive automated manufacturing technology portfolio
- Parts engineering and rapid prototyping
- Process development and engineering
- Continuous improvement systems and procedures
- Manufacturing, inventory and delivery logistics
- Factory design and planning
- Photovoltaic (solar) multi-crystalline cell and modules

- Electromechanical sub-assemblies
- Automated motor armature assembly, balancing and testing
- Mold design and manufacture
- Multiple shot plastic molding
- Insert molding
- High volume eccentric and concentric turning shafts
- High speed, centerless in-feed and through feed precision grinding and inline heat treating
- High speed, high accuracy machining and cold forming

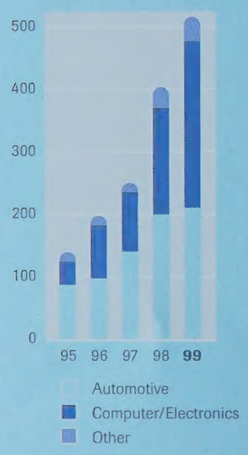
- Metals division
- Plastics division
- Contract Manufacturing division
- Advanced Manufacturing division
- Centaur Thermal Systems Inc.
- Photowatt International S.A.
- ATS Precision Components Texas, Inc.

more than an automation integrator...

FISCAL 1999 WAS ANOTHER YEAR OF RECORD OPERATING RESULTS FOR ATS AS REVENUE SURPASSED THE $500 MILLION MARK AND NET EARNINGS INCREASED 36% TO $37.2 MILLION (67 CENTS PER SHARE BASIC, 65 CENTS PER SHARE FULLY DILUTED) INCLUDING UNUSUAL ITEMS. THIS RAISED FIVE-YEAR ANNUAL COMPOUND RATES OF REVENUE AND NET EARNINGS GROWTH TO 41% AND 57% RESPECTIVELY.

CONSOLIDATED REVENUE BY INDUSTRY

(by fiscal year, millions $)



Despite this strong performance, fiscal 1999 was a disappointing year in terms of our share price which significantly declined following news that our major microelectronics contract with a Fortune 500 company would end earlier than anticipated. This contract accounted for $102 million of our Precision Components revenue, or roughly one fifth of consolidated revenue during fiscal 1999 and made a meaningful contribution to operating profit. Based on the customer's very rapid change to new technology, we do not expect to generate any significant revenue from this contract in fiscal 2000. ATS gained significant knowledge and experience from serving this multinational customer and of great importance, we were very successful in meeting their sophisticated needs. ATS is a much better company as a result. However, it is clear that we face a major challenge in replacing this lost revenue and regaining share price momentum in the short term.

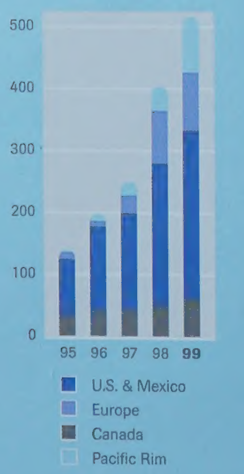
We think it is very important to recognize that ATS is much more than a one-contract company and the underlying core elements of our business are strong. We have multiple opportunities for growth in both automation systems and precision components based on our leading capabilities—which are in high demand—and the diverse markets we have strategically targeted to serve. Indeed, consider these facts from fiscal 1999:

> **ATS sold its solutions to customers in 36 countries and had a well-balanced mix of revenue by geographic region. In fact, revenue growth was achieved in all four of the Company's major geographic regions in fiscal 1999.**

> **Overall, the Company achieved its earnings growth target in spite of softer market conditions in its core automation systems markets and the solar industry during fiscal 1999. Indeed, the largest contribution to higher consolidated operating earnings came from the Automation Systems Group, which increased operating earnings by $11.5 million in fiscal 1999.**

CONSOLIDATED REVENUE BY REGION

(by fiscal year, millions $)



KLAUS D. WOERNER
President and
Chief Executive Officer
(LEFT)

LAWRENCE G. TAPP
Non-Executive
Chairman of the Board
(RIGHT)

> **Excluding the microelectronics contract, our Precision Components Group expanded its revenue by 27% in fiscal 1999 to $118.9 million.**

> **ATS served many different industries that generated substantial revenue and growth in fiscal 1999 including automotive ($209.4 million, up 5%), computer/electronics ($266.3 million, up 57%) and other diverse industries ($39.6 million, up 16%).**

Operationally, we also made significant progress, both in preparing for new growth and in securing new sources of revenue. For example:

> **In fiscal 1999, ATS opened a precision components facility in McAllen, Texas to serve a growing number of customers in the southwestern United States and Mexico.**

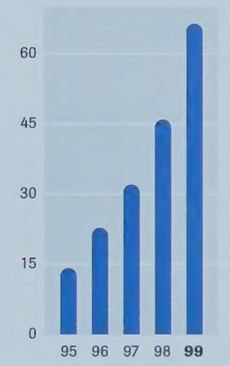
> **A facility dedicated to building smaller custom automation systems was established in southern Ontario and is now generating attractive volumes.**

> **Photowatt International launched a new 125 mm solar cell as well as 75 and 100 kilowatt solar modules which are attracting high interest and orders in the solar energy market.**

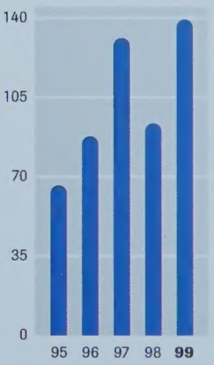
> **The Company successfully launched a proprietary standard workcell using Eco-Snow™ Precision Cleaning technology to clean magneto resistive read/write heads—a niche segment of the disk drive industry. Eco-Snow significantly outpaced its fiscal 1999 revenue target.**

Our unique global presence and combination of knowledge, experience, innovation and toolkit of advanced products and technologies makes us more than just an automation integrator. It means ATS is a company that is well positioned to capitalize on the market trends and needs which create demand for our products and technology. We are strong in many ways and we are committed to building shareholder wealth.

EARNINGS FROM OPERATIONS
(by fiscal year, millions $)



AUTOMATION SYSTEMS ORDER BACKLOG*
(at March 31, millions $)



* excludes internal backlog

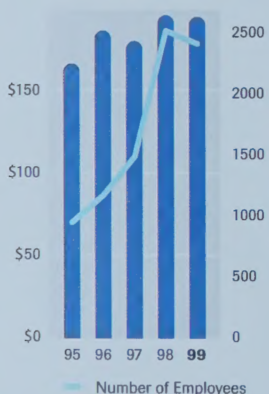
To ensure this objective is met, ATS has developed an aggressive action plan for fiscal 2000 that contains six primary steps:

1. Step up the pace of strategic marketing and sales efforts. The Company continues to target the fastest growing segments of its markets. Significant increases in sales staffing levels have been made. We are expanding the awareness of ATS's comprehensive capabilities and how our expertise in both automation systems and precision components can strategically help customers launch their new products quickly and efficiently.

2. Build sales in new industries and new regions. ATS has taken steps to enter new markets, securing work with manufacturers of medical devices, semiconductors and flat panel displays. The emphasis is on expanding sales in these and other new markets, which have the potential to be significant contributors to revenue over the long term. In addition, we are looking at opportunities to expand our local presence and capabilities in European markets, to better serve our growing installed automation systems base in the region and to generate additional growth.

CONSOLIDATED REVENUE PER EMPLOYEE

(by fiscal year, thousands $)



3. Capitalize on recent and planned investments in people, technology and capacity. ATS will continue to focus efforts on improvements in efficiency and quality while supporting growth initiatives. Initiatives to support the continued recruitment, development, training and retention of skilled personnel are being continued and enhanced. Investments made in fiscal 1999 in our Photowatt subsidiary, including a fully automated solar cell manufacturing system, have significantly increased the capacity and efficiency of Photowatt and position us well to participate in the stronger solar markets we expect to see later this year. Additional investments made in fiscal 1999 and planned for fiscal 2000 in clean rooms, equipment and infrastructure will support new growth and help to further improve our operating efficiencies and competitive advantage.

4. Forge new partnering agreements. Consistent with the stated corporate strategy of becoming an extension of customers' manufacturing and production resources, ATS will continue to form strategic account agreements with large customers. This adds potential for winning new business and further solidifying the working relationship we enjoy with substantial purchasers of our solutions. We are also forging new cross-marketing agreements with a number of our key suppliers.

5. Expand and enhance standard automation products. The Company's toolkit of standard products, developed over a number of years, represents a significant competitive advantage in the marketplace. In fiscal 2000, the focus is on developing new high-speed, low cost, flexible automation modules, enhancing existing products such as Superbot programmable manipulators, coil winding

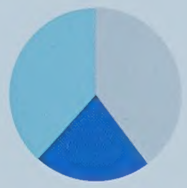
and machine tool equipment and launching standard automation workcells for targeted markets. Supertrak, a multi-speed, pallet-based revolutionary transport system, is expected to begin Beta testing with selected customers in fiscal 2000. A new Eco-Snow proprietary standard workcell for disk cleaning applications is in advanced development and will be launched in fiscal 2000 and additional product applications for this promising cleaning technology are being considered.

6. Continue to control costs, enhance productivity and improve quality and cycle times. These are ongoing priorities for ATS, reflecting the Company's desire to reward customers with better custom designed automation systems delivered more rapidly and shareholders with solid profit margins. The Company continues to benefit from the dedicated application of ISO 9001 and related quality systems throughout the organization. Project and department managers have been tasked with specific objectives in support of these goals.

ATS is focused on deploying capital in areas that will generate profitable growth and has the financial foundation to carry out each of these steps. Balance sheet data at March 31, 1999 shows the Company had $65.9 million in cash, $314 million in shareholders' equity and a very healthy debt to equity ratio of 0.16 to one. This strong platform gives ATS considerable financial flexibility to enhance operations and pursue new growth going forward.

EMPLOYEE SKILL SETS

(at March 31, 1999)



- Engineers, technicians 40%
- Skilled trades and apprentices 22%
- Semi-skilled operators and others 38%

Outlook

ATS started the new fiscal year with a substantial amount of new automation systems work on hand. Period end automation systems backlog was $140 million, up 49% from year-end fiscal 1998, reflecting recent successes in winning new business and what appears to be a more robust automation systems market. The outlook for our core Precision Components businesses is also positive based on their positioning in key geographic markets, accelerating demand for strategic outsourcing among customers, and the foundation of automation technologies and advanced manufacturing knowledge that make this Group a value-added supplier.

In summary, ATS is capable of offering more to both customers and shareholders over the long term. The best is by no means behind us. We are dedicated to rewarding our loyal shareholders, customers and employees for many years to come.

Klaus D. Woerner
PRESIDENT AND CHIEF EXECUTIVE OFFICER
JUNE 22, 1999

Lawrence G. Tapp
NON-EXECUTIVE CHAIRMAN OF THE BOARD

The world is getting more competitive. >

COMPANIES IN A WIDE VARIETY OF INDUSTRIES ARE UNDER INTENSE PRESSURE TO REDUCE MANUFACTURING EXPENSES, IMPROVE PRODUCTIVITY AND CONTROL LABOUR COSTS AS THEY STRIVE TO ENHANCE PROFIT MARGINS WITHOUT RAISING PRICES. THIS IS CREATING SUBSTANTIAL DEMAND FOR COMPREHENSIVE AUTOMATION SOLUTIONS.

DEMAND

Shortening time-to-market is paramount for today's multinational companies. >

A FEW WEEKS ADVANTAGE OVER THEIR COMPETITORS IN LAUNCHING A NEW PRODUCT CAN OFTEN MEAN MILLIONS OF DOLLARS IN EXTRA REVENUE TO A COMPANY. AT THE SAME TIME, COMPANIES ARE SEEKING TO REDUCE THE RISK ASSOCIATED WITH NEW PRODUCT INTRODUCTIONS. THEY DEMAND SPEED AND FLEXIBILITY AND WANT SUPPLIERS WHO CAN CONTRIBUTE TO THESE GOALS.

ATS HIGH ACCURACY ROTARY MACHINING CENTER. ATS MACHINE TOOL DIVISION, LAUNCHED IN FISCAL 1996, CONTINUED TO EXPAND ITS REVENUE AND CUSTOMER BASE IN FISCAL 1999. A LEADING NORTH AMERICAN AUTOMOTIVE PARTS COMPANY HAS REPLACED A NUMBER OF CNC MACHINES WITH THE SINGLE SYSTEM PICTURED HERE TO MACHINE COMPLEX CASTINGS WITH HIGHER THROUGHPUT AND QUALITY.

AS A SINGLE SOURCE SUPPLIER OF AUTOMATION PRODUCTS, SKILLS, TECHNOLOGIES and knowledge, ATS is strategically positioned to dramatically increase the competitiveness of its customers. Its turn-key automation systems offer customers rapid payback—usually within 18 to 24 months—through sharp increases in productivity and manufacturing yields and a reduction in direct costs.

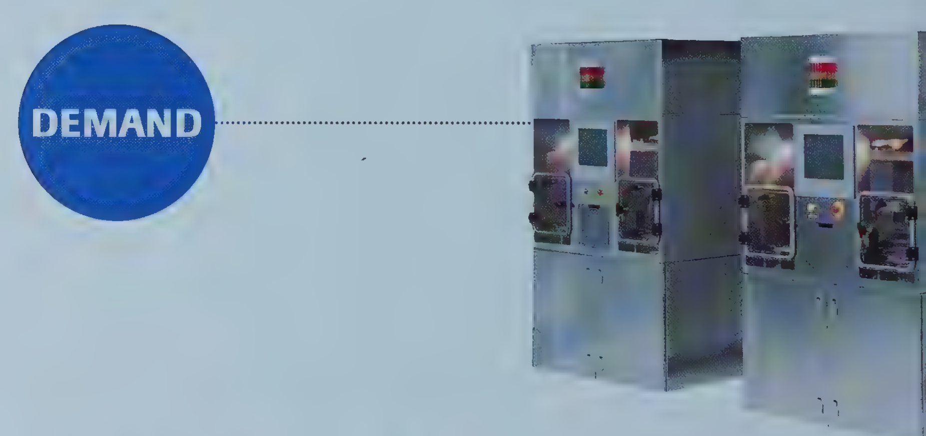
SUPPLY

ATS HAS THE BROAD RANGE OF TECHNICAL RESOURCES, KNOWLEDGE and skills to help customers bring their new products to market quickly and cost effectively. To further assist customers in accelerating their time-to-market while reducing their technical risks, ATS has a toolkit of standard automation products that can be rapidly deployed as part of a complete custom-designed turn-key automation system. These products include vision inspection systems, coil winders, motor armature winders, automated machining centres, high accuracy, programmable robots, clean room conveyors and high-volume metal removal and machining systems. Each is proven to deliver superior performance, flexibility and reliability compared to other commercially available products. Employing standard products or standard automated workcells gives ATS customers highly flexible and redeployable automation assets. With standard products at the ready, ATS is also able to channel greater resources into those areas of each automation project that require inventive thinking. The net result is better solutions more rapidly deployed.

Product innovation is the key to growth. >

MANUFACTURERS ARE CONTINUALLY STRIVING TO IMPROVE THE FUNCTIONALITY AND PERFORMANCE OF THEIR PRODUCTS. THIS OFTEN MEANS INCORPORATING COMPLEX NEW TECHNOLOGIES AND UNTRIED MANUFACTURING PROCESSES INTO PRODUCTION.

THIS STIMULATES DEMAND FOR SUPPLIERS THAT CAN ADD REAL VALUE TO NEW PRODUCT DEVELOPMENT AND LAUNCH ACTIVITIES.



Quality and precision are fundamental to survival. >

MANUFACTURERS ARE WORKING TO ENHANCE PRODUCT QUALITY, LOWER DEFECT RATES AND ELIMINATE WASTE TO BUILD PROFITABILITY AND LOYAL CUSTOMER RELATIONSHIPS.

THIS CREATES DEMAND FOR AUTOMATED MANUFACTURING SYSTEMS AND ADVANCED PRODUCTION TESTING AND CLEANING TECHNOLOGIES AIMED AT IMPROVING MANUFACTURING YIELD AND RETURN ON INVESTMENT.

AT THE SAME TIME, PRODUCTS ARE BEING MINIATURIZED, CREATING A NEED FOR SUPPLIERS WHO CAN MEET THE EXACTING STANDARDS OF HIGH PRECISION INDUSTRIES.

ATS HAS A MULTI-YEAR TRACK RECORD OF SOLVING COMPLEX production issues associated with new product introductions. Working in partnership with customers, ATS engineers and technical specialists prove out engineering concepts, help turn ideas into production-ready prototypes and design and build the robust manufacturing systems necessary to economically produce products in high volumes. This involves far more than simply integrating different pieces of automation equipment together. It takes the knowledge gained from building thousands of automation systems for industries as diverse as automotive and medical, as well as proprietary computer software, a library of proven designs and the expertise of ATS specialists in automation disciplines such as mechanical design, electrical engineering, machine vision, motion control, manufacturing and assembly. ATS also assists with new product launches in another way. From its precision components operations, ATS offers in-house capabilities for component design, new product prototyping and full-service mold production to accelerate new product introduction, improve manufacturability and yield.

THIS INJECTION MOLDING SYSTEM WAS PRODUCED BY ATS PRECISION PLASTICS COMPONENTS GROUP AND INTEGRATED DIRECTLY INTO AN AUTOMATED MANUFACTURING SYSTEM SUPPLIED TO A CUSTOMER OF ATS AUTOMATION SYSTEMS GROUP. BY BRINGING TOGETHER DIVERSE TECHNICAL SKILLS, ATS HELPS CUSTOMERS BRING THEIR NEW PRODUCTS TO MARKET QUICKLY AND COST EFFECTIVELY.

ACS-1600 ECO-SNOW PRECISION CLEANING WORKCELLS. ECO-SNOW PROPRIETARY CO_2 TECHNOLOGY IS NOW BEING USED BY ATS CUSTOMERS TO CLEAN DELICATE MAGNETO RESISTIVE HEADS, IMPROVE MANUFACTURING YIELDS, LOWER COSTS AND REDUCE DEPENDENCE ON HARSH CHEMICAL-BASED CLEANING SYSTEMS.

SUPPLY

ATS HAS DEMONSTRATED EXPERIENCE IN SUPPLYING TO THE EXACTING standards of the world's highest precision industries. ATS has the capabilities to: precisely measure, position and monitor the quality of critical components during production; design automation systems that can economically assemble delicate miniaturized products; and manufacture high volumes of precision components with tolerances measured in fractions of a micron. The Company's toolkit includes powerful software and hardware for testing product quality on-line, advanced diagnostics for tracking, analyzing and reporting production data to optimize performance and a unique particulate removal system. ATS Informatic's Production & Quality Management System offers real-time, factory floor data collection, distribution and archiving to isolate and solve production problems. ATS test hardware is rugged, shop-floor ready and comes with easy-to-read, full colour, high resolution graphic interface and instrumentation test points for independent confirmation of equipment operation and calibration. Eco-Snow gives high technology manufacturers a proven, proprietary, non-contact method of precision cleaning delicate materials such as hard disk media and magneto resistive heads. Eco-Snow dramatically improves manufacturing yield and cycle times while reducing customer dependence on harsh, chemical-based cleaning systems.

Markets and competition are global. >

EMERGING MARKETS ARE DEVELOPING RAPIDLY AND TRADE BARRIERS ARE FALLING. MANUFACTURERS ARE SEARCHING FOR COST-EFFECTIVE WAYS OF BECOMING MORE COMPETITIVE WHEREVER THEY DO BUSINESS AND RAMPING UP PRODUCTION TO SERVE NEW GEOGRAPHIC TERRITORIES.

DEMAND

Market forces will continue to create outsourcing opportunities. >

BY FOCUSING ON CORE COMPETENCIES AND TURNING TO SUPPLIERS WITH THE CRITICAL MASS TO DELIVER COMPLETE SOLUTIONS, MANUFACTURERS CAN IMPROVE PROFITABILITY. THIS TREND IS STIMULATING DEMAND FOR STRATEGIC OUTSOURCING OF BOTH AUTOMATION AND PRECISION COMPONENTS.

ATS SUPPORTS ITS CUSTOMERS WHEREVER THEY DO business. ATS has 19 facilities in eight countries and a strategy of following multinational customers into new regions. In fiscal 1999, it opened a new precision components facility in McAllen, Texas to serve the growing markets of the southwestern United States and Mexico. In the past three fiscal years, it has deployed $41.5 million to expand its international presence by investing in capacity and acquiring existing businesses. As a result, revenue generated outside North America has increased 800% over this period. ATS also has the capabilities to expand production volumes of existing facilities, enabling companies to more effectively lever their current resources in serving global markets. By making automation systems smaller and conserving production floor space, ATS helps its customers eliminate or forestall investments in bricks and mortar.

(TOP) AN ATS SUPERBOT AUTOMATICALLY LOADS LEAD FRAMES AND UNLOADS FINISHED INSERT MOLDED AUTOMOTIVE RECTIFIER PLATES FROM AN ATS PLASTIC INJECTION MOLD. THROUGH ENGINEERING OF THE FINISHED COMPONENT, ATS FURTHER REDUCED THE CUSTOMER'S COST.

(BOTTOM) TO DRAMATICALLY INCREASE THE CAPACITY AND REDUCE THE COST OF SOLAR CELL PRODUCTION, ATS DESIGNED, BUILT AND DELIVERED A HIGH VOLUME SOLAR CELL MANUFACTURING SYSTEM TO ITS PHOTOWATT SUBSIDIARY IN THE FOURTH QUARTER OF FISCAL 1999.

SUPPLY

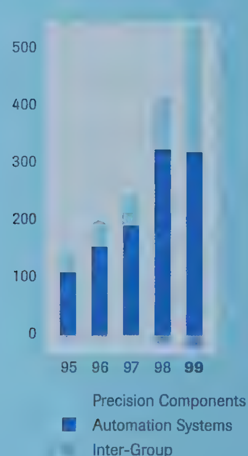
WITH ITS STRATEGIC POSITIONING AS BOTH AN automation systems producer and a high volume manufacturer of precision components, ATS is meeting the outsourcing needs of advanced multinational companies. Alone, each of the Company's capabilities is in high demand. But by combining the core competencies resident in both Automation Systems Group and Precision Components Group, ATS is poised to win new, broader mandates from its customers as they consider outsourcing a broader range of high value, critical components and sub-assemblies. These sub-assemblies are essential elements of advanced products and systems used in industries such as automotive, medical device and microelectronics. ATS contract manufacturing and advanced manufacturing divisions can harness a wide range of automated equipment developed by ATS. With these unique capabilities and the expertise to harness them effectively, ATS can dramatically lower per unit costs, improve quality and delivery times for its customers.

CONSOLIDATED REVENUE FOR THE YEAR ENDED MARCH 31, 1999 INCREASED $112.3 MILLION OR 28% TO $515.3 MILLION FROM $402.9 MILLION IN FISCAL 1998. $102 MILLION OF THIS REVENUE INCREASE WAS GENERATED BY A LARGE MICROELECTRONICS CONTRACT IN THE PRECISION COMPONENTS GROUP, SUPPLEMENTED BY 27% GROWTH IN OTHER PRECISION COMPONENTS OPERATIONS. PRECISION COMPONENTS REVENUE GROWTH MORE THAN OFFSET THE 1.4% DECLINE IN AUTOMATION SYSTEMS REVENUE.

INCLUDING UNUSUAL ITEMS, NET EARNINGS WERE $37.2 MILLION (67 CENTS PER SHARE BASIC, 65 CENTS PER SHARE FULLY DILUTED). NET EARNINGS EXCLUDING UNUSUAL ITEMS WERE $39.6 MILLION (72 CENTS PER SHARE BASIC, 69 CENTS PER SHARE FULLY DILUTED), AN INCREASE OF 45% OVER FISCAL 1998 NET EARNINGS OF $27.4 MILLION (52 CENTS PER SHARE BASIC, 50 CENTS PER SHARE FULLY DILUTED). THIS SUBSTANTIAL GROWTH IN FISCAL 1999 NET EARNINGS WAS FUELED BY INCREASES IN EARNINGS FROM OPERATIONS IN BOTH THE AUTOMATION SYSTEMS AND PRECISION COMPONENTS GROUPS.

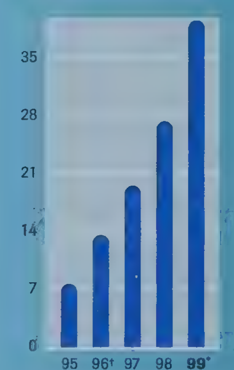
CONSOLIDATED REVENUE BY GROUP

(by fiscal year, millions $)



NET EARNINGS EXCLUDING UNUSUAL ITEMS

(by fiscal year, millions $)

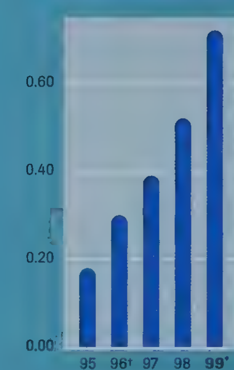


* 1999 excludes unusual items which reduced net earnings by $2.4 million

† 1996 excludes an unusual transaction gain which increased net earnings by $5.6 million

BASIC EARNINGS PER SHARE EXCLUDING UNUSUAL ITEMS

(by fiscal year, $)



* 1999 excludes unusual items which reduced basic EPS by $0.04

† 1996 excludes an unusual transaction gain which increased basic EPS by $0.12

Revenue

(in millions of dollars)	FISCAL **1999**		FISCAL 1998		FISCAL 1997	
Automation Systems Group	**$ 319.2**	**61.9%**	$ 323.8	80.4%	$ 191.3	76.6%
Precision Components Group	**220.6**	**42.8%**	93.6	23.2%	59.2	23.7%
Elimination of inter-group revenue	**(24.5)**	**(4.7%)**	(14.5)	(3.6%)	(.7)	(.3%)
Consolidated revenue	**$ 515.3**	**100.0%**	$ 402.9	100.0%	$ 249.8	100.0%

AUTOMATION SYSTEMS REVENUE

Automation Systems revenue decreased 1.4% to $319.2 million in fiscal 1999 compared to $323.8 million in fiscal 1998 due to a combination of weaker market conditions and changes in revenue mix. During this period, the Company experienced delays in order placement, likely due to uncertainty created by unsettled global economic conditions in fiscal 1998 and 1999.

Both fiscal 1998 and fiscal 1999 revenue mix varied significantly from longer-term norms (see Automation Systems Revenue Mix, page 19). In fiscal 1999, the amount of Automation Systems revenue derived from the sale of third party content was unusually low, while in fiscal 1998 it was unusually high. High third party content in fiscal 1998 revenue helped to fuel the 69% increase in revenue over fiscal 1997. These revenue mix variations were also a significant factor in the changes in operating margins in fiscal 1998 and fiscal 1999 as discussed under Automation Systems Operating Results, page 16.

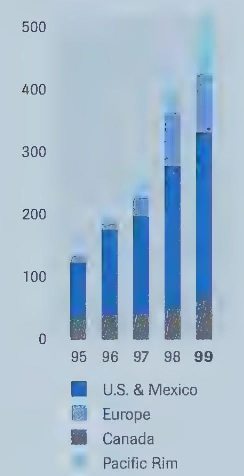
PRECISION COMPONENTS REVENUE

In fiscal 1999, Precision Components revenue reached $220.6 million, an increase of 136%, or $127 million over fiscal 1998. $102 million of this increase resulted from the fiscal 1999 launch of the microelectronics contract which generated no revenue in fiscal 1998. Other areas of the Precision Components business also generated attractive growth of 27%. This growth was the result of increased shipments to automotive customers and increased sales of photovoltaic products, in spite of softer solar markets in the last half of fiscal 1999.

The $102 million revenue generated from the microelectronics contract was in line with management targets, but was achieved on higher than anticipated volumes at lower average unit prices. Lower unit prices were the result of cost savings realized by ATS during the year, and passed on to the customer in whole or in part, as price reductions under the terms of the contract. As previously announced, revenue from this contract is expected to be insignificant in fiscal 2000.

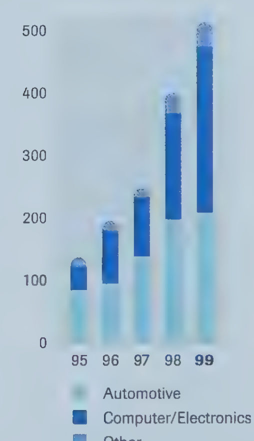
CONSOLIDATED REVENUE BY REGION

(by fiscal year, millions $)



CONSOLIDATED REVENUE BY INDUSTRY

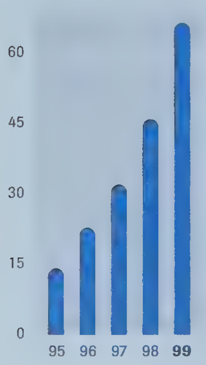
(by fiscal year, millions $)



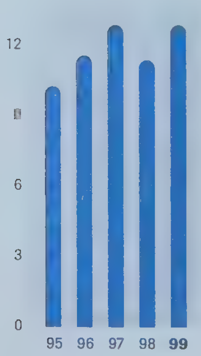
Earnings from Operations

(in millions of dollars)	FISCAL 1999		FISCAL 1998		FISCAL 1997	
Consolidated revenue	**$ 515.3**	**100.0%**	$ 402.9	100.0%	$ 249.8	100.0%
Cost of revenue	**366.9**	**71.2%**	305.1	75.7%	187.7	75.1%
Depreciation and amortization	**27.0**	**5.2%**	12.9	3.2%	7.1	2.8%
General and administrative	**54.9**	**10.7%**	38.9	9.7%	22.9	9.2%
Total operating expenses	**448.8**	**87.1%**	356.9	88.6%	217.7	87.1%
Earnings from operations	**$ 66.5**	**12.9%**	$ 46.0	11.4%	$ 32.1	12.9%

EARNINGS FROM OPERATIONS
(by fiscal year, millions $)



CONSOLIDATED OPERATING MARGIN
(by fiscal year, %)



Consolidated earnings from operations for fiscal 1999 increased 45%, or $20.5 million to $66.5 million from $46.0 million reported in fiscal 1998. This increase was driven by significantly higher contributions from both the Automation Systems and Precision Components Groups.

Fiscal 1999 consolidated operating margin of 12.9% was significantly higher than 11.4% in fiscal 1998 as a result of improved margins generated in both Automation Systems and Precision Components. Improvements in gross margin more than offset higher general and administrative expenses related to expansion of revenue, profit sharing and foreign currency hedging and higher depreciation resulting from investments made in capacity and new technology, primarily in the Precision Components Group.

While consolidated operating margin of 12.9% in fiscal 1999 matched the record levels achieved in fiscal 1997, various factors are expected to influence future margins (see Variations in Quarterly Results, page 21). As a result of the more competitive market for automation systems, the expected decline in revenue from the microelectronics contract, and an expected return to more normal Automation Systems revenue mix in fiscal 2000, management believes that its consolidated operating margin will likely be lower in fiscal 2000.

AUTOMATION SYSTEMS OPERATING RESULTS

Fiscal 1999 operating earnings from Automation Systems increased 24.5%, or $11.5 million, compared to fiscal 1998, in spite of the 1.4% decrease in revenue for the same period. In fiscal 1999, operating margins improved to 18.2%, compared to 14.4% achieved in fiscal 1998, as a result of changes in revenue mix and improved efficiencies. The resulting improvement in gross margin more than offset increased general and administrative expenses arising from profit sharing and higher costs of the Group's foreign exchange hedging activities.

During fiscal 1999, a smaller than normal proportion of Automation Systems revenue came from lower margin third party content, resulting in higher margins. In fiscal 1998 a higher than normal proportion of revenue from third party content negatively impacted margins. Third party content was high in fiscal 1998 and low in fiscal 1999, due to timing of deliveries and expenditures to supplement production capacity and manage customer delivery schedules. Management believes these unusually large changes in third party content were primarily the result of record high order bookings in the second quarter of fiscal 1998, and the heavy demands placed on the Company's production capacity during fiscal 1998 (see Automation Systems Revenue Mix, page 19).

PRECISION COMPONENTS OPERATING RESULTS

Precision Components operating earnings in fiscal 1999 increased to $15.8 million, up 140%, or $9.2 million, from $6.6 million earned in fiscal 1998. This increase reflected the 136% growth in Precision Components revenue and an increase in operating margin to 7.2% in fiscal 1999 from 7.0% in fiscal 1998. Increased gross profit in Precision Components in fiscal 1999 more than offset depreciation of equipment acquired for the microelectronics contract, expansion of Photowatt's production capacity, costs incurred for the start-up of the McAllen Texas facility, expenses of Centaur Thermal Systems, and costs of foreign currency hedging activities.

UNUSUAL ITEMS

The fiscal 1999 Consolidated Statement of Earnings reflects a gain on settlement of tax credits, a write-down in value of certain assets and a write-down in value of an investment. These three unusual items in aggregate amount to a charge to earnings of $3.9 million before income tax or $2.4 million after income tax (4 cents per share basic and fully diluted). These unusual items are more fully described in note 10 to the Consolidated Financial Statements.

Share Capital

Share capital increased to $194.3 million in fiscal 1999 from $191.6 million in fiscal 1998, reflecting shares issued under the Company's share option and employee stock purchase plans. Fiscal 1998 share capital reflects the issuance of 4,000,000 common shares in October 1997 for net cash consideration of $92.5 million.

Cash Flow and Financial Resources

(in millions of dollars, except debt to equity ratio)	FISCAL 1999	FISCAL 1998	FISCAL 1997
Cash and short-term investments	**$ 65.9**	$ 25.4	$ 4.0
Other current assets	**213.1**	227.4	129.4
Current liabilities	**(109.5)**	(105.7)	(59.6)
Working capital	**$ 169.5**	$ 147.1	$ 73.8
Long-term debt	**$ 51.8**	$ 44.0	$ 24.4
Shareholders' equity	**$ 314.3**	$ 268.2	$ 143.1
Debt to equity ratio	**0.16:1**	0.16:1	0.17:1

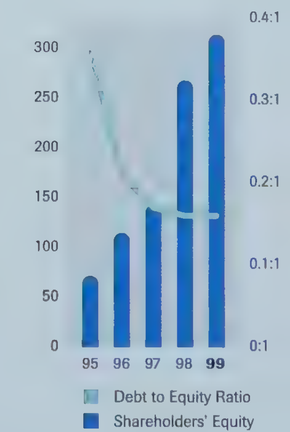
The Company added to its financial strength in fiscal 1999, ending the year with $65.9 million in cash and short-term investments compared to $25.4 million at the end of fiscal 1998. Higher earnings in 1999 resulted in cash flow from operations increasing 28% to $64.6 million compared to $50.7 million for 1998. At March 31, 1999, the Company's debt to equity ratio remained very strong at 0.16 to one, unchanged from 1998.

At March 31, 1999, the Company had available $69.9 million of unutilized credit under its various operating and term facilities. The credit facilities are unsecured and subject to certain terms and conditions, all of which were met at March 31, 1999.

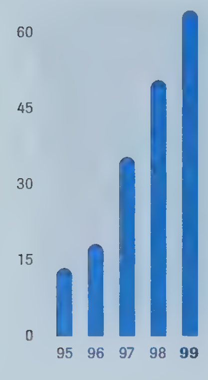
The Company's cash flow depends on a number of factors including ongoing working capital requirements and the level and timing of capital expenditures or acquisitions that ATS may make. Capital expenditures, which are expected to be in the range of $20 million to $30 million in fiscal 2000, are primarily determined by the Company's need to expand capacity and to update technology in response to market demands. Significant investments in excess of the amounts budgeted, or significant acquisitions, should they arise, may result in the need for additional financing (see Precision Components Expansion Risks, page 20.) The Company's foreseeable cash needs are expected to be funded by cash generated from ongoing operations and existing cash resources.

SHAREHOLDERS' EQUITY

(at March 31, millions $)



CASH FLOW FROM OPERATIONS
(by fiscal year, millions $)



CASH FLOW–AUTOMATION SYSTEMS

Automation systems contracts can have a significant impact on the Company's working capital requirements. Typically sold under fixed price contracts, often for prices in excess of $1 million, automation systems typically take six months or more to complete, depending on the complexity and size of the contract, and lead times for purchased items (which may be significant). Cash flow from an automation systems contract is determined by the progress billing schedule negotiated with the customer and the achievement by ATS of the specified progress billing milestones. These factors vary from contract to contract, and may result in significant changes in cash requirements from quarter to quarter. ATS typically seeks to have billed 80% to 90% of the contract value before shipment.

CASH FLOW–PRECISION COMPONENTS

Precision Components manufactures engineered components typically under long-term contracts of varying duration. Contracts are typically high volume and, with the exception of solar modules, unit prices are usually less than five dollars. Capital expenditures and pre-production expenditures related to major new precision component orders must often be made six months or more before shipments start. Timing of cash flows from precision components contracts may vary depending upon shipment releases provided by the customer (see Precision Components Volume Risk, page 20).

HEDGING ACTIVITIES

The Company generates a significant portion of net cash inflows in major foreign currencies, primarily U.S. dollars. In order to manage a portion of this net foreign currency exposure, the Company maintains a hedging program as discussed in Consolidated Financial Statement Notes 1(c) and 3. The Audit and Finance Committee of the Board of Directors regularly reviews the Company's hedging policy and activities under the policy.

At March 31, 1999 substantially all of the debt drawn under the Company's credit facilities was in U.S. funds, providing a partial hedge against net U.S. dollar investment exposure. Amounts borrowed under the Company's revolving credit facilities bear interest at floating rates. To reduce interest rate risk, the Company has a swap agreement to fix the rate of debt on U.S.$7 million of its borrowing under the revolving credit facilities, currently at 8.145% per annum until the year 2001.

Other Risk Factors

USE OF ESTIMATES AND AUTOMATION SYSTEMS CONTRACT RISK

The nature of automation systems contracts requires the use of estimates to quote new business and to apply the percentage of completion method of revenue recognition over the life of the project. Automation systems are typically sold on a fixed-price basis. The work to be performed involves varying degrees of technical uncertainty, including possible development work to meet the customer's specification, the extent of which is sometimes not determinable until after the project has been awarded. If the actual costs incurred by the Company are significantly higher than estimated at the quotation stage, the Company's earnings may be negatively affected.

Certain contracts may include penalties for late delivery and/or may expose the Company to liability. Automation systems contracts may be terminated by customers in the event of a default by the Company, or for convenience of the customer. In the event of a termination for convenience, ATS must typically negotiate a settlement reflective of the progress achieved on the contract and/or the costs incurred to the termination date.

AUTOMATION SYSTEMS PRICING

Individual prices and terms for automation systems contracts are typically negotiated between ATS and its customers. Profit margins on contracts vary depending on a number of factors, including market conditions, technical risk, competition, the results of negotiation and the amount of subcontracting and third party equipment integrated into the automation system.

AUTOMATION SYSTEMS REVENUE MIX

An Automation Systems order typically requires ATS to integrate third party content with its own products and services ("ATS Value Added") to produce a complete automated manufacturing system. Third party content consists primarily of third party equipment and subcontract work and typically comprises a significant portion of the total value of an automation systems order. Specific third party equipment, reflecting the functional requirements of the system, is often required under the terms of the customer's order. ATS typically subcontracts work on an automation systems order as required to supplement internal resources and to manage capacity, order backlog and customer delivery schedules.

The amount of revenue ATS earns from third party content in automation systems in a particular reporting period depends primarily on the value of such content acquired by ATS during that period. The value of third party content acquired in a period will depend upon the nature and specifications of the automation systems orders in process, the value and timing of deliveries of third party content, and the amount of subcontracting used in the period. Therefore, the amount of third party content is often subject to significant fluctuations from period to period. The amount of revenue ATS earns from ATS Value-Added in a period depends primarily on the amount, utilization and efficiency of its internal resources and tends to be less volatile from period to period than are changes in third party content.

The Company typically earns significantly lower margins on third party content compared to margins from ATS Value-Added. Therefore, higher than normal third party content in a period tends to increase revenue and reduce margins, while lower third party content in a period tends to reduce revenue but increase margins.

AUTOMATION SYSTEMS REVENUE AND CAPITAL EXPENDITURE CYCLES

Historically, capital expenditures on industrial equipment have tended to be cyclical in nature. The Company's broad customer base and its strategy of diversification through participation in different industries and geographic regions are intended to reduce cyclical risk and to provide opportunities to generate new revenue.

PRECISION COMPONENTS VOLUME RISK

Typically, precision components contracts do not provide volume guarantees. The actual volume of parts shipped may vary materially from planned levels during the term of the contract and from quarter to quarter. Variations from planned volumes may occur for a number of reasons including capacity constraints, quality problems, competition, obsolescence and changes in demand for the customer's end product.

The majority of precision components orders obtained from automotive industry customers have historically been single source contracts with three-to-five-year durations. Typically, ATS has not been sole-sourced under other non-automotive contracts. The existence of competitive suppliers of these precision components may expose the Company to greater pricing pressure and volume risk.

Precision Components revenue is derived from automotive, solar and other industries. The automotive sector has historically been cyclical in nature. General economic trends, product life cycles and product changes may impact all of these markets. Negative changes in any of these factors may adversely impact the demand for precision components and the Company's earnings from this segment.

PRECISION COMPONENTS PRICING, QUALITY AND DELIVERY

ATS is required to remain competitive on price, quality and delivery as a condition of many of its precision components contracts. Pricing for precision components is often subject to revision and adjustment as a result of negotiations and cost reduction obligations to which the Company is subject. Price reductions may be mandatory under the terms of some contracts. The Company may also believe it necessary to voluntarily reduce prices as a way to secure higher proportions of the customer's releases when competitive circumstances exist. To the extent ATS is obligated, or agrees, to reduce prices and the impact of the reduced prices is not offset through cost reductions or efficiencies gained from higher volumes, operating margins and earnings will be negatively impacted. Failure to remain competitive on price, quality and delivery may result in the loss of single source status (if in place), reduced shipments and possible termination of the contract. Management believes such terms are customary in the industries in which it currently operates.

PRECISION COMPONENTS EXPANSION RISKS

New precision components contracts often require the Company to invest in new production equipment, systems and sometimes facilities, often on tight time schedules. Bringing these investments into production quickly may expose the Company to certain risks depending on the size of the investment, the schedule, the technology involved, and the nature of the precision components to be produced. When production is first started, the Company often incurs higher costs and lower production rates than for more established programs, and may encounter significant costs to correct problems which may arise. Furthermore, failure to meet a customer's scheduled requirements may negatively impact the Company, including possible termination of the contract.

RISKS RELATED TO MATERIAL PRECISION COMPONENTS CONTRACTS

In addition to the other risks noted herein, individually material precision components contracts (such as the large microelectronics contract in fiscal 1999) expose the Company to additional risk. Contracts of this type are sufficiently large that any material variation in volumes, pricing or contract term would likely have

a significant impact on the Company's revenue and earnings. To the extent the Company has not secured new orders sufficient to replace any reduction or loss of business that may arise under individually material contracts, the future revenue and earnings of ATS may be materially negatively impacted.

AVAILABILITY OF HUMAN RESOURCES

The Company's business, especially Automation Systems, is knowledge-based. Management believes that to increase Automation Systems revenue it must continue to attract, retain and develop technical employees whose skills are increasingly in demand. To a lesser degree, ability to increase Precision Components revenue is dependent upon availability of key employees with the specialized skills required to support growth. Typically, new employees require ATS-specific training before becoming fully productive. The Company's future success also depends upon a number of key employees, including Klaus D. Woerner, ATS' President and Chief Executive Officer, and other members of senior management.

VARIATIONS IN QUARTERLY RESULTS

The revenue, operating margin and earnings of ATS may vary from quarter to quarter as a result of factors discussed in this report. Additional factors which may impact quarterly results include: changes in the proportion of revenue derived from the different activities of the Company, different margins on work performed, acquisitions, level of investment in new operations, number of new employees added in a period, level of general and administrative expenses required to support the Company's growth and level of research and development activities.

The Company may also experience negative impacts on operating margins during periods of rapid expansion. Significant growth in the Automation Systems Group may necessitate increased use of sub-contracting and premium costs to rapidly increase internal capacity. In the Precision Components Group, growth from the launch of significant new programs may impact the Company's results as described in Precision Components Expansion Risks, page 20.

While ATS products are not seasonal in nature, the Company's quarterly results have often reflected lower earnings during the summer months, or second quarter. This has generally been the result of lower revenue due to staff vacations (which reduces capacity, especially in the Automation Systems Group) and seasonal customer plant shutdowns (which reduces volumes in the Precision Components Group).

Year 2000

COMPANY'S VULNERABILITY TO YEAR 2000 ISSUES

Like most large organizations, the Company uses many different computer systems and other chip-based devices (IT and non-IT systems) in the continuing conduct of its business. Older IT and non-IT systems may fail to recognize certain dates prior to, during, and after the year 2000 which may result in failure to operate or improper operation. The Company's exposure to the potential problems of the Year 2000 Issue exists in two general areas a) IT and non-IT systems in the sole control of the Company, including those resident in both internal systems and in products supplied to customers, and b) IT and non-IT systems dependent in some way on one or more third parties.

The potential risk of the Year 2000 Issue materially affecting the Company's internal IT and non-IT systems, or the products supplied to customers, is assessed as minimal. The Company's internal IT and non-IT systems (including manufacturing and production controls as well as financial systems) are typically stand-alone for each operating entity, with no corporate-wide or complex Enterprise Resource Planning systems in place. The interaction between the Company's internal systems and those of critical third parties are not usually of a nature that could result in a material Year 2000 problem, due to the existence of alternative methods of communication. Products supplied to Precision Components customers do not contain any IT or non-IT systems. Automation Systems products may contain IT or non-IT systems of two types: a) ATS-developed applications such as machine control programs and b) third party systems integrated into an overall ATS automation system. The typical machine control program does not use date or time functions. Third party systems integrated into an ATS automation system are addressed under the "critical third parties" component of the Company's Year 2000 Compliance Assessment Plan (the "Plan").

While the Company has made substantial progress towards internal Year 2000 compliance, the Year 2000 readiness of third parties with which the Company has material relationships is largely outside the Company's control. Consequently, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the Company and its products, including those related to the efforts of customers, suppliers or other third parties, will be fully resolved.

EVALUATION OF THE COMPANY'S SITUATION, AND PLANS FOR MISSION CRITICAL IT AND NON-IT SYSTEMS

A comprehensive corporate-wide Plan is in place for Mission Critical systems (i.e. IT and non-IT systems assessed as materially impacting the Company's operations in the case of failure). The Plan includes review of critical third parties (defined as those that, if they cannot achieve Year 2000 compliance, could have a material impact on the Company). Key components of the Plan are: a) implementation responsibilities b) a timetable c) a step-by-step procedure to test internal business systems and Company-designed and manufactured products that are date-dependent, and d) criteria for assessing critical third parties. Year 2000 compliance has been defined under the Plan to mean that neither performance nor functionality is affected by dates prior to, during, or after the year 2000 change. The Company's internal testing procedure was developed using guidelines developed by the automotive and electronics industries, based on the most commonly accepted definition of Year 2000 compliance included in BSI standard *DISC PD2000-1 A definition of Year 2000 Conformity Requirements.*

The Company's Plan was implemented in April 1998, with defined responsibilities at the corporate level as well as at each operating location. All Mission Critical systems were identified, inventoried and assessed under the Company's Plan by December 1998. This review showed that, for the most part, systems were already compliant. The identification, inventory and assessment phase of the Plan included identification and assessment of risk relating to all critical third parties.

STATUS OF THE COMPANY'S REMEDIATION PLANS

Internal testing of Mission Critical systems was complete in December 1998. Replacement or correction of non-compliant internal systems is on schedule, is believed to be approximately 90% complete to date and is scheduled to be 100% complete by September 1999.

To date, the Company has identified and contacted all critical third parties. Those that have not currently completed their Year 2000 assessments continue to be monitored by the Company under its Plan. If a critical third party is unable to complete its assessment, the Company's contingency plan includes provisions to replace the third party with an identified compliant third party. Assessment of new Mission Critical systems or new critical third parties is ongoing as they arise, and will continue through to the Year 2000.

Because the Plan has not identified any material internal or customer product issues to date, or any material non-compliant third parties who cannot be replaced with a compliant third party, the Company has not drafted complex contingency and business continuity plans in the event of disruptions resulting from the Year 2000 Issue.

A Year 2000 status report is provided to the Audit and Finance Committee of the Board of Directors on a quarterly basis.

YEAR 2000 COSTS

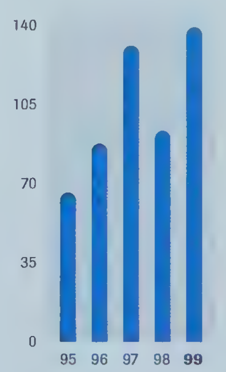
All compliance costs under the Plan, which to date have been immaterial internal staff costs, have been expensed as incurred. Expected future costs are also expected to be immaterial, and will be expensed as incurred.

Outlook

As a result of the significant reduction in microelectronics contract revenue, revenue and earnings in the Company's Precision Components Group are not expected to grow in fiscal 2000. This contract generated 20% of fiscal 1999 consolidated revenue and is not expected to provide any significant revenue in fiscal 2000 as a result of the customer accelerating its transition to new technology which does not use the product supplied by ATS. Management believes there is evidence to suggest that the solar market is beginning to improve. However, any photovoltaics revenue improvements that may result would likely not be felt until the second half of fiscal 2000. Management believes, based on expected market conditions, and orders received or anticipated, that many areas of its Precision Components business will grow in fiscal 2000. However, it is unlikely that this growth, combined with ramp up of any new large contracts that may be secured, will be sufficient to fully replace the expected decline in the microelectronics revenue in fiscal 2000. Given the size of the lost microelectronics revenue, management believes that it will be difficult for the Company to achieve, in fiscal 2000, the basic earnings per share of $0.67 generated in fiscal 1999.

AUTOMATION SYSTEMS ORDER BACKLOG*

(at March 31, millions $)

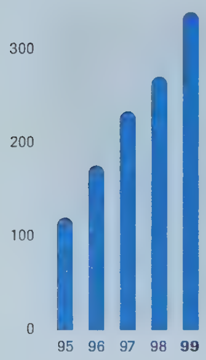


* excludes internal backlog

Beyond fiscal 2000, the outlook for obtaining sufficient Precision Components revenue to replace the microelectronics contract, and to resume growth in this Group, is more positive. Management believes that its Precision Components Group will continue to secure new business and grow as strong outsourcing trends continue to develop in its markets. The Company continues to seek out opportunities for its precision components capabilities, primarily in the automotive, electronics, medical and photovoltaics sectors. In fiscal 1999, ATS strategically demonstrated its extensive and unique capabilities in management, engineering and high volume manufacturing of precision components. Management believes that the experience and credibility it has gained as a precision components supplier, along with its unique manufacturing and engineering capabilities, will help ATS to secure attractive new business opportunities in future.

AUTOMATION SYSTEMS ORDER BOOKINGS

(by fiscal year, millions $)



The automation systems market was significantly softer and more competitive during much of the 1999 calendar year. ATS was successful in this market environment, as demonstrated by its ability to grow its operating earnings significantly in fiscal 1999. In addition, order bookings for automation systems increased 25% to $340.7 million in fiscal 1999, compared to $271.8 million obtained the previous year. Management believes these achievements reflect the Company's strong market leadership, and may reflect a recently improving market for automation systems. Based on good order bookings, strong quotation activity, the year-end backlog and expected changes in revenue mix, management believes that revenue growth will resume in the Automation Systems Group in fiscal 2000.

March 31, 1999 order backlog for external customers was well diversified, and stood at $139.6 million, up 49% from $93.7 million a year earlier. Order backlog represents the amount of unearned revenue on firm Automation Systems contracts on hand but incomplete at the end of the period. The majority of the Automation Systems backlog at March 31, 1999 is scheduled for completion during fiscal 2000.

The underlying factors driving customers to purchase automation systems include global competition, the need to reduce manufacturing costs, enhance quality and improve cycle time (discussed on pages 8 to 13). All markets are subject to changes in demand, however management expects these factors to continue to create future opportunities for automation systems orders, especially among the multinational companies that comprise a large part of the Company's customer base.

Overall, management believes that the underlying trends which drive demand for the Company's products and services are sound and that ATS has the technology, experience, range of technical resources, financial strength, management, and strategy to take advantage of these trends to create growth beyond fiscal 2000.

Forward-Looking Statements

Certain statements contained in this annual report constitute forward-looking statements. These include statements about management's expectations, beliefs, intentions or strategies for the future, which are indicated by words such as "anticipate, intend, believe, estimate, forecast and expect" and similar words. All forward-looking statements reflect management's current views with respect to future events, and are subject to certain risks and uncertainties and assumptions that have been made. Important factors that could cause actual results, performance or achievements to be materially different from those expressed or implied by these forward-looking statements are discussed in this management's discussion and analysis, elsewhere in this annual report, and in other continuous disclosure filings of the Company. If one or more of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results could vary materially from those that are expressed or implied by these forward-looking statements.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of ATS Automation Tooling Systems Inc. were prepared by management in accordance with accounting principles generally accepted in Canada. The significant accounting policies, which management believes are appropriate for the Company, are described in note 1 to the consolidated financial statements. The financial information contained elsewhere in this document is consistent with that in the consolidated financial statements.

Management is responsible for the integrity and objectivity of the financial statements. Estimates are necessary in the preparation of these statements and, based on careful judgements, have been properly reflected in the financial statements. Management has established systems of internal control which are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for the preparation of financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit and Finance Committee of the Board, which is comprised of outside directors and which meets periodically with management and the independent auditors to discuss the Company's financial reporting practices and procedures, its systems of internal accounting controls, the planned scope of examinations by independent auditors and their findings and recommendations. It also reviews the Company's consolidated financial statements.

The Company's independent auditors, KPMG LLP Chartered Accountants, conduct an independent examination on behalf of the shareholders, in accordance with generally accepted auditing standards and express their opinion on the financial statements. Their report outlines the scope of their examination and their opinion on the consolidated financial statements of the Company. The independent auditors have free access to the Audit and Finance Committee of the Board.

Klaus D. Woerner
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

Ron J. Jutras
SECRETARY AND
CHIEF FINANCIAL OFFICER

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of ATS Automation Tooling Systems Inc. as at March 31, 1999 and March 31, 1998 and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 1999 and March 31, 1998 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

KPMG LLP

Chartered Accountants
WATERLOO, CANADA
MAY 13, 1999

CONSOLIDATED BALANCE SHEETS (in thousands of dollars)

At March 31	1999	1998
ASSETS		
Current assets:		
Cash and short-term investments	**$ 65,937**	$ 25,402
Accounts receivable	**85,183**	91,763
Income taxes recoverable	**–**	1,427
Costs and earnings in excess of billings on contracts in progress (note 4)	**85,013**	94,066
Inventories (note 4)	**41,914**	34,803
Prepaid expenses and other current assets	**977**	5,323
	279,024	252,784
Fixed assets (note 5)	**136,162**	105,352
Goodwill and licences, at amortized cost	**45,120**	46,533
Other assets (note 6)	**20,768**	18,850
	$ 481,074	$ 423,519
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 60,924**	$ 71,449
Billings in excess of costs and earnings on contracts in progress (note 4)	**30,257**	13,419
Income taxes payable	**1,822**	–
Current portion of long-term debt (note 7)	**759**	784
Future income taxes (note 11)	**15,757**	20,093
	109,519	105,745
Long-term debt, less current portion (note 7)	**51,055**	43,225
Future income taxes (note 11)	**4,178**	4,805
Minority interest	**1,983**	1,538
Shareholders' equity:		
Share capital (note 8)	**194,319**	191,579
Retained earnings	**111,707**	74,470
Cumulative translation adjustment (note 9)	**8,313**	2,157
	314,339	268,206
Commitments (note 14)		
	$ 481,074	$ 423,519

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Klaus D. Woerner
DIRECTOR

Robert W. Luba
DIRECTOR

CONSOLIDATED STATEMENTS OF EARNINGS (in thousands of dollars, except per share amounts)

Years ended March 31	1999	1998
REVENUE	$ 515,268	$ 402,920
Operating costs and expenses:		
Cost of revenue	366,899	305,080
Depreciation and amortization	27,044	12,968
General and administrative	54,861	38,888
	448,804	356,936
EARNINGS FROM OPERATIONS	66,464	45,984
Other expenses (income):		
Interest on long-term debt	3,149	2,737
Other interest	(580)	(505)
Unusual items (note 10)	3,944	–
	6,513	2,232
EARNINGS BEFORE INCOME TAXES AND MINORITY INTEREST	59,951	43,752
Provision for income taxes (note 11)	22,480	16,076
EARNINGS BEFORE MINORITY INTEREST	37,471	27,676
Minority interest in earnings of subsidiaries	234	314
NET EARNINGS	$ 37,237	$ 27,362
Net earnings per share (note 12):		
Basic	$ 0.67	$ 0.52
Fully diluted	$ 0.65	$ 0.50

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (in thousands of dollars)

Years ended March 31	1999	1998
RETAINED EARNINGS, BEGINNING OF YEAR	$ 74,470	$ 49,708
NET EARNINGS	37,237	27,362
COSTS OF ISSUANCE OF COMMON SHARES, NET OF RELATED FUTURE INCOME TAXES	–	(2,600)
RETAINED EARNINGS, END OF YEAR	$ 111,707	$ 74,470

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION (in thousands of dollars)

Years ended March 31	1999	1998
CASH PROVIDED BY (USED IN):		
Operating activities:		
Net earnings	$ 37,237	$ 27,362
Items not involving cash	27,381	23,297
Cash flow from operations	64,618	50,659
Change in non-cash operating working capital	21,988	(54,826)
	86,606	(4,167)
Investing activities:		
Acquisition of interest in subsidiaries, net of cash (note 2)	–	(22,021)
Acquisition of fixed assets	(54,898)	(57,393)
Investments	(11,022)	(5,826)
	(65,920)	(85,240)
Financing activities:		
Issuance of common shares, net of cost of issuance	2,740	95,330
Change in long-term debt	7,805	17,037
Investment tax credits and other	9,304	(1,538)
	19,849	110,829
INCREASE IN CASH	40,535	21,422
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	25,402	3,980
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	$ 65,937	$ 25,402

See accompanying notes to consolidated financial statements.

1. Basis of accounting and significant accounting policies

(A) PRINCIPLES OF CONSOLIDATION

These consolidated financial statements include the accounts of ATS Automation Tooling Systems Inc. and subsidiary companies. All significant intercompany transactions and balances have been eliminated.

(B) FOREIGN CURRENCY TRANSLATION

The assets and liabilities of self-sustaining foreign subsidiaries are translated into Canadian dollars at year-end exchange rates and the resulting unrealized exchange gains or losses are included as a separate component of shareholders' equity. The earnings statements of these operations are translated at exchange rates prevailing during the year.

Other monetary assets and liabilities which are denominated in foreign currencies are translated into Canadian dollars at year-end exchange rates, and transactions included in earnings are translated at rates prevailing during the year. Exchange gains and losses resulting from the translation of these amounts are included in the consolidated statement of earnings, except for the exchange gains and losses on long-term debt which are deferred and amortized over the remaining term of the related loans.

(C) DERIVATIVE FINANCIAL INSTRUMENTS

Foreign exchange contracts are used by the Company to reduce financial risks related to future net cash flows in foreign currencies. Gains and losses on the contracts are recognized in the consolidated statement of earnings during the same period as the corresponding foreign currency revenues and expenses.

Interest rate swaps are used by the Company to reduce its risks related to changes in interest rates on its long-term revolving bank credit facility. The difference between the swap rate and the actual interest rate is charged to earnings as incurred.

(D) CASH AND SHORT-TERM INVESTMENTS

Cash and short-term investments consist of cash and highly liquid money market instruments, typically with maturities of three months or less.

(E) FIXED ASSETS

Fixed assets are recorded at cost. Depreciation is computed using the following methods and annual rates:

Asset	Basis	Rate
Buildings	Declining-balance	4%
Production equipment	Straight-line	10-30%
	Units of production	–
Other equipment and furniture	Declining-balance	20-30%

Leasehold improvements are amortized over the terms of the related leases on a straight-line basis.

(F) GOODWILL AND LICENCES

Goodwill is recorded at cost and is amortized using the straight-line method over periods from five to forty years. The Company evaluates goodwill each year to determine if there has been a permanent decline in value based on current and expected operating earnings of each underlying business, taking into consideration operating trends and other relevant factors.

Licences are recorded at cost and are amortized over their estimated economic life.

(G) CONTRACT REVENUE AND INVENTORIES

Contract revenue in the Automation Systems segment is recognized using the percentage of completion method. Complete provision is made for losses on contracts in progress when such losses first become known. Revisions in cost and profit estimates, which can be significant, are reflected in the accounting period in which the relevant facts become known. Revenue in the Precision Components segment is recognized at time of shipment.

Inventories are valued at the lower of cost (first-in, first-out basis) and net realizable value.

(H) RESEARCH AND DEVELOPMENT COSTS

Research costs are charged as an expense of the period in which they are incurred. Development costs are deferred and amortized over the period in which the Company expects to benefit from the resulting product or process.

(I) PRE-PRODUCTION COSTS

Pre-production costs related to new precision components orders are deferred and amortized over the life of the related contract on a units of production basis.

(J) INVESTMENT TAX CREDITS

Investment tax credits are accounted for as a reduction in the cost of the related asset or expense when there is reasonable assurance that such credits will be realized.

(K) INCOME TAXES

In the year ended March 31, 1999, the Company adopted the liability method of tax allocation for accounting for income taxes as provided for in the new recommendations of The Canadian Institute of Chartered Accountants. Under the liability method of tax allocation, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and are measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Prior to the adoption of the recommendations, income tax expense was determined using the deferral method of tax allocation. Under this method, future tax expense was based on items of income and expense that were reported in different years in the financial statements and tax returns, and measured at the tax rate in effect in the year the difference originated.

2. Acquisitions

During the year ended March 31, 1998, the following businesses were acquired: 100% of a Swiss manufacturer of automated assembly equipment; 96% of a French manufacturer of solar cells and modules; and 100% of a U.S. precision cleaning business.

The acquisitions have been accounted for using the purchase method as follows:

	1998
Assets, net of cash acquired	$ 32,837
Liabilities	(18,201)
Increase in goodwill	8,288
	22,924
Less minority interest in subsidiaries	(903)
	$ 22,021
Consideration at fair value:	
Cash	$ 22,021

The consolidated statements of earnings include the results of acquired businesses from their respective dates of acquisition.

3. Financial instruments

The contract nature of the Company's business may result in significant fluctuations from period to period in the relative percentages of accounts receivable and contracts in progress concentrated with any one customer, industry or geographic region. At March 31, 1999, one customer accounted for approximately 11% of the combined balance of accounts receivable and contracts in progress. At March 31, 1998, a different customer accounted for approximately 17% of the combined accounts receivable and contracts in progress balances.

The Company generates significant revenues in major foreign currencies, primarily U.S. dollars, which exceed the natural hedge provided by purchases of goods and services in those currencies. In order to manage a portion of this net foreign currency exposure, the Company has entered into foreign exchange contracts. The timing and amount of foreign exchange contracts are estimated based on existing customer contracts on hand or anticipated, current conditions in the Company's markets, and the Company's past experience.

At March 31, 1999, the Company had outstanding forward contracts of U.S.$60,450,000 maturing on or before February 2000, at rates ranging from Cdn$1.3656 to Cdn$1.5336 to U.S.$1.00; outstanding forward contracts of DM2,000,000 maturing on or before August 1999, at rates ranging from Cdn$0.8499 to Cdn$0.8545 to DM1.00; and outstanding forward contracts of DM3,000,000 maturing on or before August 1999, at rates ranging from Chf0.8050 to Chf0.8200 to DM1.00. Based on foreign exchange rates as at March 31, 1999 for contracts with

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (in thousands of dollars)

similar remaining terms to maturity, the unrecognized net losses relating to the Company's forward exchange contracts are approximately $1,477,000.

The carrying amounts reported in the balance sheets for cash and short-term investments, accounts receivable, contracts in progress and accounts payable and accrued liabilities approximate their fair values, due to the short-term nature of those instruments.

The carrying value of long-term debt approximates fair value since the effective interest rates reflect current market rates. The Company has an interest rate swap agreement whereby the interest rate on U.S.$7,000,000 of the revolving bank credit facility has been fixed at 8.145% until the year 2001. The fair value of the interest rate swap approximates an unrealized loss of U.S.$415,000 at March 31, 1999 (1998–U.S.$423,000 unrealized loss).

4. Contracts in progress and inventories

At March 31	1999	1998
Contracts in progress at the balance sheet date:		
Costs incurred on contracts in progress	**$ 263,696**	$ 231,305
Estimated earnings	**68,902**	74,358
	332,598	305,663
Progress billings	**(277,842)**	(225,016)
	$ 54,756	$ 80,647
Disclosed as:		
Costs and earnings in excess of billings on contracts in progress	**$ 85,013**	$ 94,066
Billings in excess of costs and earnings on contracts in progress	**(30,257)**	(13,419)
	$ 54,756	$ 80,647
Inventories are summarized as follows:		
Raw materials to be used in manufacturing	**$ 23,149**	$ 20,267
Work in process	**10,193**	11,789
Finished goods available for sale	**8,572**	2,747
	$ 41,914	$ 34,803

5. Fixed assets

At March 31	1999			1998
	Cost	Accumulated depreciation	Net book value	Net book value
Land and land improvements	$ 7,743	$ –	$ 7,743	$ 6,299
Buildings	29,508	2,449	27,059	19,528
Leasehold improvements	8,232	1,836	6,396	4,832
Production equipment	117,604	31,032	86,572	66,957
Other equipment and furniture	16,519	8,127	8,392	7,736
	$ 179,606	$ 43,444	$136,162	$ 105,352

6. Other assets

At March 31	1999	1998
Investment tax credits	$ 4,161	$ 9,656
Deferred foreign exchange loss on long-term debt, net	2,660	1,492
Deferred pre-production costs, net	973	1,573
Deferred development costs, net	3,541	4,135
Interest bearing notes receivable	4,672	494
Subordinated loan receivable	1,500	1,500
Long-term investments	3,261	–
	$ 20,768	$ 18,850

The Company leases, at market rates, a manufacturing facility from 1032123 Ontario Limited, a corporation controlled by the President, a significant shareholder of the Company. In fiscal 1994, in return for certain concessions under the lease, including specified purchase and renewal options, the Company made an interest-free loan to 1032123 Ontario Limited in the amount of $1,500,000. This loan is repayable upon the earlier of termination of the lease, the occurrence of certain events of default, the date the facility is sold and January 1, 2009. The loan is subordinated to the repayment of the first mortgage on the property.

The Company has guaranteed $6,600,000 of the mortgage on the manufacturing facility described above, during the initial term of the lease.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (in thousands of dollars)

7. Bank indebtedness and long-term debt

At March 31	1999	1998
Unsecured revolving bank credit facility available in Cdn$, or equivalent in other currencies, with interest at prime, or at rates tied to LIBOR, or bankers' acceptances, at the Company's option. This credit facility revolves until September 23 annually at which time it is expected that the term will be extended for a further one-year period. In the event the revolving period of the credit facility is not extended, the loan is repayable over a seven-year period in 60 equal instalments over the last five years of the period. Both the March 31, 1999 and March 31, 1998 amounts are repayable in U.S. funds	**$ 50,994**	$ 42,459
Industrial revenue bonds due in U.S.$, interest at 10.53%, repayable in monthly instalments of U.S.$19 through April 2000, collateralized by a shared first mortgage on real estate and equipment	**344**	598
Other, due in U.S.$, interest from 7% to 8%, due through to 2000, portions collateralized by first and second charges on certain real estate and equipment	**90**	189
Other, due in French francs, interest at 9.25% to 10.8% through to January 1, 2000, collateralized by a first mortgage	**386**	763
	51,814	44,009
Current portion	**759**	784
	$ 51,055	$ 43,225

Scheduled principal repayments of non-revolving long-term debt are as follows:

2000	$ 759
2001	61
2002	–
2003	–
2004	–
	$ 820

8. Share capital

At March 31	1999	1998
Common shares:		
Authorized:		
Unlimited shares		
Issued:		
55,487,945 shares; (1998–55,307,222 shares)	**$ 194,319**	$ 191,579

The Company's employee stock purchase plan provides that a maximum of 1,200,000 common shares may be purchased by employees at the market price of the shares at the date of subscription. During the year ended March 31, 1999, 119,500 shares were fully paid and issued at purchase prices ranging from $18.30 to $24.24 (1998–181,500 shares).

Under the terms of the share option plan the Company may grant options to employees, officers and directors to purchase not more than 3,354,932 common shares at prices which may not be less than the market price of the shares at the date of the grant. The right to exercise the options, which vest over periods from 4 to 5 years from the date of grant, expires if not exercised by the tenth anniversary of grant. During the year ended March 31, 1999, 61,223 shares (1998–144,390 shares) were issued pursuant to share options exercised.

At March 31, 1999, there were share options outstanding in respect of 2,486,190 (1998–2,090,698 shares) common shares at prices ranging from $2.00 to $28.38 per share.

9. Cumulative translation adjustment

The cumulative translation adjustment represents the net unrealized foreign currency translation gain on the Company's net investment in self-sustaining foreign operations, principally in the United States.

At March 31	1999	1998
Cumulative unrealized gain at beginning of year	**$ 2,157**	$ 1,172
Unrealized gains (losses) on translation of non-current items	**3,958**	(4,382)
Unrealized gains on translation of current items	**2,198**	5,367
Cumulative unrealized gain at end of year	**$ 8,313**	$ 2,157

10. Unusual items

Items comprising unusual expenses (income) are as follows:

Years ended March 31	1999	1998
Write-down for decline in value of assets	**$ 3,500**	$ –
Investment tax credits relating to prior years' research and development expenses	**(5,599)**	–
Write-down for impairment in value of investments	**6,043**	–
	$ 3,944	$ –

During 1999, a customer advised the Company that the expected future shipments under a large Precision Components contract would be materially lower than previously estimated. As a result, during the third quarter the Company recorded a charge to earnings of $3,500,000 before income taxes ($2,205,000 after income taxes) to reflect the estimated decline in realizable value of certain assets related to the contract.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (in thousands of dollars)

Revenue Canada's audit of the Company's Scientific Research and Experimental Development tax credits for the fiscal years 1989 through 1995 was completed in the fourth quarter of fiscal 1999. As a result the Company has recognized previously unrecorded benefits of $5,599,000 before income taxes ($3,673,000 after income taxes).

The Company has determined that certain of its investments have had permanent impairment in value and these investments have been written down accordingly. This charge, recorded in the fourth quarter of fiscal 1999, amounts to $6,043,000 before income taxes ($3,867,000 after income taxes).

Taken together, the after tax effect of these three unusual items is a $2,399,000 reduction of net earnings, or a reduction of $0.04 per share basic and fully diluted.

11. Income taxes

In the year ended March 31, 1999, the Company adopted the liability method of tax allocation for accounting for income taxes. There was no material impact on the consolidated financial statements for the years ended March 31, 1999 and March 31, 1998.

Income tax expense differs from the amounts which would be obtained by applying the combined Canadian basic federal and provincial income tax rate to earnings before income taxes and minority interest. These differences result from the following items:

Years ended March 31	1999	1998
Earnings before income taxes and minority interest	**$ 59,951**	$ 43,752
Combined Canadian basic federal and provincial income tax rate	**44.60%**	44.60%
Income taxes based on combined Canadian basic federal and provincial income tax rate	**26,739**	19,513
(Decrease) increase in income taxes resulting from:		
Manufacturing and processing allowance	**(4,933)**	(2,422)
Earnings of foreign subsidiaries	**(1,398)**	(984)
Ontario super allowance	**(329)**	(169)
Losses for which an income tax benefit has not been recognized	**1,206**	740
Other items	**1,195**	(602)
	$ 22,480	$ 16,076
Income taxes:		
Current provision	**$ 27,721**	$ 6,061
Future provision	**(5,241)**	10,015
	$ 22,480	$ 16,076

Future income taxes are provided for temporary differences. Future tax assets and liabilities are comprised of the following:

Years ended March 31	1999	1998
Future income tax assets:		
Share issue costs	$ 1,057	$ 1,160
Future income tax liabilities:		
Fixed assets	$ 5,160	$ 4,880
Accounting income not currently taxable	15,757	20,093
Other	75	1,085
Total future income tax liabilities	$ 20,992	$ 26,058
Future income tax liability, net	$ 19,935	$ 24,898
Less current portion of future income tax liabilities	15,757	20,093
Long-term future income tax liabilities	$ 4,178	$ 4,805

12. Per share information

Basic earnings per share have been calculated using the weighted average number of common shares outstanding during the year of 55,401,228 (1998–53,010,063). Fully diluted earnings per share have been calculated assuming that all of the stock options outstanding at the end of the year had been exercised at the beginning of the year or at date of issuance if later. The weighted average number of common shares outstanding on a fully diluted basis is 57,484,505 (1998–54,931,494).

13. Segmented disclosure

The Company evaluates performance based on two reportable segments: Automation Systems and Precision Components. The Automation Systems segment produces custom-engineered turn-key automated manufacturing and test systems. The Precision Components segment is a high volume manufacturer of photovoltaic products, plastic and metal components and sub-assemblies.

The Company accounts for inter-segment sales at current market rates, negotiated between the segments.

Years ended March 31	1999		1998	
	Automation Systems	Precision Components	Automation Systems	Precision Components
Revenue from external customers	$ 294,850	$ 220,418	$ 309,456	$ 93,464
Inter-segment revenue	24,350	134	14,376	109
Total segment revenue	319,200	220,552	323,832	93,573
Segment operating income	58,156	15,781	46,700	6,583
Segment total assets	293,431	177,552	259,836	125,595
Acquisition of segment fixed assets	10,212	56,810	12,037	45,177
Depreciation and amortization	6,350	28,578	4,773	7,020

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (in thousands of dollars)

REVENUE

Years ended March 31	1999	1998
Total revenue for reportable segments	**$ 539,752**	$ 417,405
Elimination of inter-segment revenue	**(24,484)**	(14,485)
Total Company revenue	**$ 515,268**	$ 402,920

OPERATING INCOME

Years ended March 31	1999	1998
Total operating income for reportable segments	**$ 73,937**	$ 53,283
Elimination of inter-segment operating income	**(3,546)**	(3,051)
Unallocated amounts:		
Other corporate expenses	**(3,927)**	(4,248)
Total Company operating income	**$ 66,464**	$ 45,984

ASSETS

At March 31	1999	1998
Total assets for reportable segments	**$ 470,983**	$ 385,431
Intangibles not allocated to segments	**3,226**	3,314
Other unallocated amounts	**6,865**	34,774
Total Company assets	**$ 481,074**	$ 423,519

OTHER SIGNIFICANT ITEMS

Years ended March 31	1999	1998
Total acquisition of fixed assets for reportable segments	**$ 67,022**	$ 57,214
Elimination of inter-segment fixed assets	**(13,191)**	(1,413)
Other unallocated amounts	**1,067**	1,592
Total Company acquisition of fixed assets	**$ 54,898**	$ 57,393
Total depreciation and amortization for reportable segments	**$ 34,928**	$ 11,793
Elimination of inter-segment depreciation and amortization	**(9,149)**	(60)
Other unallocated amounts	**1,265**	1,235
Total Company depreciation and amortization	**$ 27,044**	$ 12,968

Years ended March 31	1999		1998	
	Revenue	Fixed assets & intangibles	Revenue	Fixed assets & intangibles
Canada	**$ 62,757**	**$ 75,936**	$ 49,851	$ 72,670
United States	**269,178**	**71,386**	228,970	57,551
Europe	**94,235**	**30,072**	85,544	17,366
Pacific Rim	**89,098**	**3,888**	38,555	4,298
Total Company revenue	**$ 515,268**	**$ 181,282**	$ 402,920	$ 151,885

Geographic segmentation of revenue is determined based on the location of the customer. Geographic segmentation of fixed assets and intangibles is determined based on the location of the respective operations.

In 1999, revenue from one customer of Precision Components segment represents $101,668,000 of Company revenue. In 1998, no segment had revenue from one customer which amounted to 10% or more of Company revenue.

14. Commitments

The minimum operating lease payments required in each of the next five years are as follows:

2000	$ 9,347
2001	7,053
2002	5,098
2003	4,479
2004	2,799
Thereafter	2,959
	$ 31,735

15. Uncertainty due to the Year 2000 issue

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Company's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the Company, including those related to the efforts of customers, suppliers and other third parties, will be fully resolved.

SIX-YEAR FINANCIAL SUMMARY (in thousands of Canadian dollars except per share data and statistics and ratios)

Years ended March 31	1999	1998	1997	1996	1995	1994
OPERATING RESULTS						
Revenue:						
Automation Systems	**$ 319,200**	$ 323,832	$ 191,319	$ 154,330	$ 109,683	$ 71,310
Precision Components	**220,552**	93,573	59,199	45,549	33,025	22,858
Elimination of inter-group revenue	**(24,484)**	(14,485)	(716)	(2,952)	(3,854)	(772)
Total revenue	**515,268**	402,920	249,802	196,927	138,854	93,396
Earnings from operations	**66,464**	45,984	32,101	22,869	14,307	9,410
Operating margin	**12.9%**	11.4%	12.9%	11.6%	10.3%	10.1%
Net earnings before unusual items	**39,636**	27,362	19,597	13,621	7,684	3,918
Net earnings	**37,237**	27,362	19,597	19,240	7,684	3,918
FINANCIAL POSITION						
Working capital	**$ 169,505**	$ 147,039	$ 73,770	$ 69,693	$ 37,121	$ 32,439
Fixed assets	**136,162**	105,352	52,451	36,749	27,510	22,186
Other long-term assets	**65,888**	65,383	50,224	37,247	38,238	10,314
Total assets	**481,074**	423,519	236,063	181,151	134,292	83,855
Long-term debt	**51,814**	44,009	24,420	24,349	25,499	16,388
Shareholders' equity	**314,339**	268,206	143,066	114,769	71,594	46,237
CASH FLOW						
Cash from operations	**$ 64,618**	$ 50,659	$ 35,510	$ 18,335	$ 13,576	$ 8,469
Net share capital issued	**2,740**	95,330	7,975	25,141	16,806	24,138
Fixed assets purchased	**54,898**	57,393	19,938	14,111	8,672	5,974
Acquisitions	**–**	22,021	13,658	–	26,451	–
Net issue (repayment) of long-term debt	**7,805**	17,037	72	(1,150)	9,027	(7,059)
PER SHARE DATA						
Basic earnings per share before unusual items	**$ 0.72**	$ 0.52	$ 0.39	$ 0.30	$ 0.18	$ 0.14
Basic earnings per share	**0.67**	0.52	0.39	0.42	0.18	0.14
Book value per share	**5.66**	4.85	2.81	2.51	1.57	1.65
Price range–common shares	**25.95–9.50**	28.50–10.25	12.50–6.75	7.00–2.50	3.19–1.69	3.00–2.28
Basic weighted average shares outstanding (millions)	**55.4**	53.0	50.0	45.6	42.6	28.3
STATISTICS AND RATIOS						
Current ratio	**2.55:1**	2.39:1	2.24:1	2.86:1	2.18:1	2.71:1
Long-term debt to equity	**0.16:1**	0.16:1	0.17:1	0.21:1	0.36:1	0.35:1
Return on average assets	**14.7%**	13.9%	15.4%	14.5%	13.1%	13.1%
Return on average equity	**12.8%**	13.3%	15.2%	20.6%	13.0%	12.5%
Number of employees, at March 31	**2,416**	2,524	1,491	1,174	952	710

1999 includes unusual items which reduced net earnings $2.4 million or $0.04 per share, basic.
1996 includes an unusual transaction gain which increased net earnings $5.6 million or $0.12 per share, basic.
1994 includes relocation costs which reduced net earnings $0.9 million or $0.03 per share, basic.
All numbers have been adjusted to reflect the impact of the November 1996 and November 1997 two-for-one stock splits.

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Secretary and Chief Financial Officer, ATS

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LAWRENCE G. TAPP [1,3]
Dean, Richard Ivey School of Business, University of Western Ontario

ROBERT C. TIVY [2,3]
Corporate Director

KLAUS D. WOERNER
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Secretary and Chief Financial Officer

BRUCE SEELEY [4]
Vice-President, Precision Components Group

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MICHAEL CYBULSKI [4]
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ROBERT RACHETER
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Director General, Photowatt International S.A.

SCOTT SCHUHLE
General Manager, ATS Southwest, Inc.

GREGORY SCHULTZ
Division Manager, Machine Tool Division

JOHN SCOTT
Director, Quality Assurance

STEWART WIEDERSPRECHER
General Manager, ATS Carolina, Inc.

DREW WILSON
General Manager, ATS Test Systems Inc.

MARILYN WOLFE
Manager, Human Resources

[1] Member of the Audit and Finance Committee
[2] Member of the Human Resources Committee
[3] Member of the Corporate Governance and Nominating Committee
[4] Corporate officer of the Company

SHAREHOLDERS' INFORMATION

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AUDITORS
KPMG LLP

PRINCIPAL BANK
The Bank of Nova Scotia

ANNUAL SHAREHOLDERS' MEETING
Wednesday August 18, 1999
4:00 p.m.
Concordia Club
429 Ottawa Street South
Kitchener, Ontario

ADDITIONAL INFORMATION
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PRODUCED BY: FUNDAMENTAL COMMUNICATIONS INC. DESIGN: BRYAN MILLS GROUP PRINTED IN CANADA ON RECYCLED PAPER

ATS Automation Tooling Systems

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